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THE SPY WHI



In a dispute over whether the K.G.B had penetrated the C.I.A., counterintelligence chief James Angleton (left) was fired by Director William Colby in 1974.

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ON PAGE C1

THE WASHINGTON STAR (GREEN LINE)
24 September 1980

THE EAR

SPOOKS AND THE SINGLE SMILE



The Delightfully Right jumped with joy the other night, darlings. They'd all sidled in to hear Michael Novak speak on "Solzhenitsyn at Harvard," at Ernie Lefever's Ethics and Public Policy Center dinner. (E & PP, as we must now call it, is the hot Nouveau Right Think-Tank. It has declared war on the Institute for Policy Studies, hive and haven of the Nostalgic Left.) Of course Solzhenitsyn, who can't bear *anybody*, didn't come. But there, engulfing the spinach soup, perched the entire Old Intelligence Establishment: Ray Wannall, once FBI counter-intelligence; Two old CIA Shoguns, Dick Helms and Bill Colby; and James Jesus Angleton (James Jesus, of course, was the model for "Mother" in Aaron Latham's "Orchids for Mother.") They all hooted with glee at the Evening's Joke, as fluted by Michael Novak: "*Some* say that Solzhenitsyn is a prophet. But *this* is a non-prophet organization." Heh heh. Apart from that, Earwigs, everybody behaved *quite* normally. Watch that Think-Tank.

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THE WASHINGTON POST
16 September 1980

Plan to Provide Cover for CIA Operatives Stirs Concern

By George Lardner Jr.
Washington Post Staff Writer

A little-noticed section of a controversial new CIA secrecy bill could lead to a whole new gamut of artificial government titles and phony positions for U.S. intelligence officials working overseas.

Some critics believe the bill could even result in use of the Peace Corps for intelligence purposes, but CIA officials insist that this would never happen.

The disagreement involves some relatively obscure provisions of a pending CIA bill devised primarily to make it a criminal offense to disclose any information that serves to identify U.S. intelligence operatives abroad.

Under language tacked on by the House Intelligence Committee, the president would be required to establish secret procedures ensuring that intelligence officers and employees—from CIA station chiefs on down—be given effective cover. Those procedures, the bill adds, "shall provide that any department or agency designated by the president" must render whatever assistance is necessary.

At present, the Peace Corps, the Agency for International Development and the International Communication Agency are all off limits to the intelligence community. The tradition of keeping spies out of its ranks is

strongest in the Peace Corps, which has had rules since its inception in 1961 prohibiting the employment of anyone from the CIA.

The Foreign Service also has resisted the designation of anyone from the CIA as a full-fledged Foreign Service officer (FSO). Intelligence officers usually are confined to an FSR (Foreign Service Reserve) designation, along with others on temporary assignment.

The U.S. government and the Congress have "excluded CIA from a whole lot of official covers," former CIA director William E. Colby protested in House testimony early this year. "[At] the State Department, we cannot use certain nominations, and therefore that is a further exclusion. . . . We have got to open up the possibilities, at least within the government."

When Colby was at the agency, he added in a telephone interview, "we were as far as cover was concerned." From the intelligence community's point of view, the restrictions also

"It suggests there's something dirty about intelligence, when Congress has voted it," Colby says. "Intelligence is an important part of our national structure, by congressional fiat."

From the point of view of other government agencies, however, their integrity is at stake. As the Peace Corps has put it, its rules are meant "to avoid providing any credence to charges that the Peace Corps is a front for intelligence activities of the United States government." But when the Peace Corps proposed consolidating the regulations 2½ years ago with formal publication in the Federal Register, the CIA took umbrage. The new rules were never promulgated.

CIA officials contend that the secrecy bill's call for "better cover" is "purely hortatory," that it doesn't give the president any more authority than he has now. A CIA lawyer insisted that the Peace Corps would never be opened up to intelligence agency operatives.

However, Morton Halperin, director of the privately funded Center for National Security Studies, which is fighting the bill, maintains that its enactment would represent "a very clear signal from Congress to the president, telling him that he should be directing more agencies to provide cover to the CIA."

"I would certainly be worried if I were in the Peace Corps," Halperin said. Because the bill states that the new procedures to be established by the president would be exempt from "publication or disclosure," Halperin

also pointed out that it could result in the undercutting of restrictions that most people would assume were still in effect.

"Our main worry is one of image rather than of substance," added one Peace Corps official. If the bill were enacted, he said, "we could have a problem with people pointing at the Peace Corps and saying 'It could be used' by the CIA, even if it weren't."

The bill itself has a strong head of steam, in view of the July 4 machine-gunning of the home of the CIA station chief in Jamaica shortly after his name and other personal data were disclosed at an anti-CIA news conference in Kingston. The measure would outlaw the disclosure of any information, even from public documents, that comes to identify CIA officials or any other U.S. intelligence agents who have been working abroad.

Proponents hope to bring it to the House floor for a vote Thursday. A similar version is pending before the Senate Judiciary Committee, where critics who contend it is unconstitutional are concentrating their efforts. In a letter to committee members last week, 51 law professors from across the country charged that the provisions criminalizing the disclosure of unclassified information were a clear violation of the First Amendment.

"The First Amendment does not permit using a shotgun because you may hit something that is punishable," one of the signers, Prof. Laurence E. Tribe of Harvard University's law school, said at a news conference here yesterday. He predicted that the Supreme Court would strike the measure down if Congress should enact it.

In addition, the Center for National Security Studies maintains in a recent study that some of the nation's most prominent journalists—and at least one member of the Senate Intelligence Committee—have written or broadcast articles that could have resulted in their prosecution if the bill had been in effect at the time of publication.

Among the reports that could have resulted in criminal sanctions, Halperin said, were a 1977 Washington Post story by Bob Woodward about secret CIA payments to Jordan's King Hussein over a 20-year period and a 1977 CBS broadcast by correspondent Bill Moyers, who named several CIA officials and Cuban allies in the CIA's campaign against Cuban Premier Fidel Castro.

Also in potential jeopardy, the center concluded, would have been Sen. Daniel Patrick Moynihan (D-N.Y.). As former ambassador to India, Moynihan disclosed in a 1973 book that the CIA had contributed money to one of India's political parties and that on one occasion, the payment was made directly to Indra Gandhi. Whether such disclosures would be liable for criminal penalties would, Halperin noted, depend on the conduct and intent of the authors, but he said, "there is no doubt that revelations of this kind would be chilled."

BOSTON GLOBE
7 September 1980

Heroin, banking

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CIA

WORLD PRESS /
By ALAN BERGER

Last week, while American newspapers were describing congressional efforts to pass tough new laws protecting the CIA, a front-page article in the London Sunday Times implicated the agency in shady dealings reminiscent of the disclosures made five years ago in the Senate's Church committee hearings on intelligence activities.

The Sunday Times article was an investigative report looking into "a series of mysterious disappearances and violent deaths around the world." Heroin traffickers and couriers as well as bank officers and CIA personnel have been among the "dozen or so" people who disappeared mysteriously or died violently. "Police on four continents are trying to find the exact link between these deaths, the CIA and the collapse of a Sydney (Australia)-based bank, Nugan Hand International," the Times reported.

Saying "the story has a plot worthy of John Le Carre," the Times' investigative team offered these "initial conclusions" from its inquiries:

- "Nugan Hand, which boasted of offices or representatives in a dozen countries and an annual turnover of \$1 billion, was a banker for the heroin trade.

- "And there is evidence that the bank was nurtured, and may even have been set up, by the CIA."

One strand of the intricate "Nugan Hand affair" begins in Australia with a Melbourne coroner's inquest into the murder of a young couple, the Wilsons, whose bodies were dug up recently from shallow graves near a surfing beach. The Wilsons, who were both shot in the head, had been couriers for Terrence John Clark, an alleged heroin trafficker who "imported 48 kilograms of heroin — worth \$2 million of kilo — into Australia in just nine months," according to an assistant commissioner for crime in the Australian city of Victoria.

Before their death, the Wilsons told Australian police everything they knew about Clark's heroin operations. Subsequently, two senior officials of Australia's Federal Narcotics Bureau who were in the pay of Clark "handed him tapes of the Wilsons making their statements." Clark has long since disappeared, but, according to the Times, "Melborne's coroner said he was in no doubt that Clark hired hit men to kill the Wilsons."

Official investigations of those records that survived the collapse of the Nugan Hand bank revealed that Nugan Hand had been "banker to big heroin traffickers... but, undoubtedly, the senior and most sinister trafficker was Terrence Clark."

On Jan. 27 of this year, Frank Nugan cofounder of Nugan Hand, "was found shot dead in his Mercedes-Benz sedan on a lonely road in the Blue Mountains, 100 miles west of Sydney." After Nugan's death, his American partner, Mike Hand, phoned the bank's business associates and told them, according to the Times account: "You're not going to believe this, but it looks like Frank ripped off a stack of money."

Then, after calling in a liquidator and "blaming his former partner for everything that had gone wrong, Hand disappeared." In his wake he left what the Times described as "chaos." Records were missing, and there were debts totaling \$50 million. But most puzzling of all to the Times was that "almost no creditors have publicly emerged to stake their claims. Why?"

The Times' explanation was "that Nugan's Hand's chief client was the CIA, and that the bank was set up to move covert funds into Southeast Asia."

representative who had served with the OSS (a forerunner of the CIA) and been a commander in Vietnam. Nugan Hand's man in Taiwan was flight services manager for Civil Air Transport, another CIA-owned company. And the Manila's "consultant" was Gen. Ray Manors, a Vietnam veteran, who is now helping the CIA to analyze the failed attempt to rescue the American hostages in Iran."

Another associate of the bank mentioned in the Times investigation was Walt McDonald, an economist who was a CIA "consultant" for 25 years and a close friend of John Arthur Paisley, the CIA's deputy head of the Office of the Office of Strategic Research, "whose bloated body was

fished out of Chesapeake Bay, Md., in 1978" with "40 pounds of diving weights strapped to his waist and a bullet hole behind the left ear." Speculatively, the Teams raised the possibility of a link from the Nugan Hand affair to Paisley that would run through McDonald.

A less speculative link was to former CIA director William Colby, whose visiting card was found on the dead body of Frank Nugan. Colby told the Times he "was simply Nugan's US legal advisor. "There was no connection between Mr. Nugan and my intelligence background, he said."